



TRANSITION TOPIC:

Review of Tooth-to-Tail

TASK: Review key findings and recommendations of the DBB's 2007 report on Tooth-to-Tail, and alert incoming senior leadership of the urgency to shrink the Department's overhead to free-up available resources to support critical Defense priorities.

TASK GROUP:

Henry Dreifus (Chair) Michael Bayer

Kelly Van Niman (Executive Secretary)

Report Documentation Page			<i>Form Approved OMB No. 0704-0188</i>	
<p>Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>				
1. REPORT DATE 23 OCT 2008	2. REPORT TYPE	3. DATES COVERED 00-00-2008 to 00-00-2008		
4. TITLE AND SUBTITLE Transition Topic: Review of Tooth-to-Tail		5a. CONTRACT NUMBER		
		5b. GRANT NUMBER		
		5c. PROGRAM ELEMENT NUMBER		
6. AUTHOR(S)		5d. PROJECT NUMBER		
		5e. TASK NUMBER		
		5f. WORK UNIT NUMBER		
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Business Board,1155 Defense Pentagon,Washington,DC,20301-1155		8. PERFORMING ORGANIZATION REPORT NUMBER		
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)		
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)		
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES				
14. ABSTRACT				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 6
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified	19a. NAME OF RESPONSIBLE PERSON	



Defense Business Board

ISSUE:

- Department's spending on infrastructure has remained relatively constant at approximately 42% of DoD's total spending
- In the private sector these expenses would be considered general overhead ("tail" to DoD) that management would work aggressively to continuously reduce to achieve greater efficiency
- It is not evident that DoD routinely goes to "war" on overhead to maximize its resources and gain efficiencies
- Current management tools are not effective at managing and reducing the Department's "tail"

IMPORTANCE:

- DoD's Total Budget Authority has increased 189% between 1980 and 2009 (not including Supplemental authorizations)
- DoD cannot afford a 42% overhead rate on a \$694.2 Billion budget
 - The Secretary cannot delegate such a perilous threat



Characteristics by Presidential Administration

A logical question: How much defense do we get for \$670 Billion per year?

Category	End of Carter	End of Reagan	End of Bush	End of Clinton	GW Bush	Change
	1980	1988	1992	2000	2007 (Est)	1980-2007
Total Budget Authority (\$B - Constant \$)	\$412	\$491	\$412	\$354	\$441	7%
Total Budget Authority (\$B - Current \$)	\$178	\$284	\$282	\$291	\$441	148%
Supplementals (\$B)	\$0	\$0	\$4	\$0	\$190	
Active Duty Personnel (K)	2,101	2,209	1,886	1,449	1,406	-33%
Reserve and Guard Personnel (K)	851	1,158	1,135	865	843	-1%
Civilian Personnel (K)	1,019	1,090	1,006	698	702	-31%
Active in Commission Ships	521	573	471	341	236	-55%
Army Divisions (active)	19	20	20	10	10	-47%
AF Fighter/Attack (Total Active Inventory)	2,789	3,027	2,000	1,666	1,619	-42%

Table sources: National Defense Budget Estimates for FY 2006, April 2007;
<http://www.history.navy.mil/branches/org9-4c.htm>; AFA Almanac



Defense Business Board

DoD Infrastructure \$(Billions) Remains Steady at ~42%

(Total Obligation Authority) source: PA&E

Infrastructure	FY2002	FY2003	FY2004	FY2005	FY2006
Force Installations	29	35	33	35	28
Communications & Information	7	10	9	9	9
Science & Technology Program	11	12	13	14	14
Acquisition	9	10	12	12	12
Central Logistics	22	29	26	25	25
Defense Health Program	28	25	27	27	28
Central Personnel Administration	8	13	13	12	13
Central Personnel Benefits Programs	9	10	10	10	10
Central Training	33	36	33	33	34
Departmental Management	18	22	21	29	27
Other Infrastructure	4	4	12	25	5
Total Infrastructure (% of DoD)	180 (44%)	206 (42%)	209 (42%)	230 (43%)	205 (42%)



RECOMMENDATIONS:

1. Secretary should conduct a review of all indirect and direct costs to determine if 42% is an appropriate amount of overhead and to identify opportunities to constantly reduce overhead
 - Set a goal to reduce “overhead”
2. The Secretary should mandate the use of management tools are based on an enterprise vision to drive down overhead spending
 - Metrics should focus on outcomes (not outputs) to provide strong measures of implementation and achievement of goals

Reference DBB Report FY08-2

“Task Group Review of Tooth-to-Tail Analysis” for greater detail



DISCUSSION

Industry Maximizes Resources and Efficiencies by Targeting Cuts

- Continuously goes to war on waste – focus on low value-add areas
 - “Value-chain” and “Activity Analyses” tools reduce inefficiencies/overlaps
 - Leverages technology to achieve better than 1:1 ratios in personnel conversions
- Designs organizations to facilitate and encourage prudent risk taking
 - Decentralize to encourage innovation; Centralize to eliminate duplication
- Continuously charts “core competencies and incompetencies”
 - Incentivize, measure and reward desired outcomes
 - Constantly monitor performance
 - Develop succession and promotion plans accordingly
 - Career map to core competencies – builds on people’s strengths
- Measures & analyzes human capital performance & engagement to drive a culture of excellence
 - Applies benchmarks and projects 3-4 years ahead (leads, not lags)
 - Compares results to competition and/or most efficient organization